

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---|--------------------------------|--|---------------------------|
| Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name Glen Arbor Township | County Leelanau |
| Audit Date 3/31/05 | Opinion Date 8/18/05 | Date Accountant Report Submitted to State: 9/30/05 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

| We have enclosed the following: | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | ✓ | | |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGU). | | | ✓ |

| | | | |
|---|--|------------------------------|------------------------|
| Certified Public Accountant (Firm Name) J L Stephan Co, PC | | | |
| Street Address 862 E. Eighth St. | | City Traverse City | State MI |
| Accountant Signature  | | ZIP 49686 | Date 9/30/05 |

Glen Arbor Township

Leelanau County, Michigan

Audited Financial Statements

For the Year Ended March 31, 2005

TABLE OF CONTENTS

| | <u>Page</u> |
|---|--------------------|
| FINANCIAL SECTION | |
| <i><u>Independent Auditor's Report</u></i> | 1 |
| <i><u>Financial Statements</u></i> | |
| <i>Exhibit</i> | |
| A Government Wide Statement of Net Assets | 2 |
| B Government Wide Statement of Activities | 3 |
| C Governmental Funds Balance Sheet | 4 |
| D Reconciliation of the Balance Sheet to the Statement of Net Assets | 5 |
| E Governmental Fund Statement of Revenue Expenditures and Changes in Fund Balance | 6 |
| F Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 7 |
| G Fiduciary Fund Statement of Net Assets | 8 |
| <i><u>Notes to Financial Statements</u></i> | 9-17 |
| REUIRED SUPPLEMENTAL INFORMATION | |
| <i>Schedule</i> | |
| 1 Budgetary Comparison Schedule – General Fund | 18-19 |
| 2 Budgetary Comparison Schedule – Emergency Services Fund | 20-21 |
| OTHER INFORMATION (UNAUDITED) | |
| <i><u>Comments and Recommendations</u></i> | 22-24 |

FINANCIAL SECTION



J L Stephan Co PC

Certified Public Accountants

Jerry L. Stephan, CPA

Marty Szasz, CPA
David Skibowski, Jr., CPA

INDEPENDENT AUDITOR'S REPORT

To the Township Council
Township of Glen Arbor
Glen Arbor, MI 49616

We have audited the accompanying financial statements of the governmental activities and each major fund of Glen Arbor Township as of and for the year ended March 31, 2005 as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. These standards require that we plan and perform the audit to provide reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Township as of March 31, 2005 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United State of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of April 1, 2004. The accompanying statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of the basic financial statements.

The budgetary comparison information on pages 18-21 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. They have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

J. L. Stephan Co. P.A.

August 18, 2005

Glen Arbor Township

Exhibit A

Government Wide Statement of Net Assets March 31, 2005

| | <i>Governmental Activities</i> |
|--|------------------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 1,116,402 |
| Investments | - |
| Taxes & Fees Receivable | 32,600 |
| Due from State | - |
| Due from Other Funds | 1,088 |
| Due from Others | 72,845 |
| Capital Assets - Net | <u>2,707,895</u> |
| <i>Total Assets</i> | <u>3,930,830</u> |
| Liabilities | |
| Accounts Payable | - |
| Accrued and Other Liabilities | 140 |
| Due to Other Funds | - |
| Deferred Revenue | 32,600 |
| Non-Current Liabilities | |
| Due within one year | 75,190 |
| Due within more than one year | <u>1,728,418</u> |
| <i>Total Liabilities</i> | <u>1,836,348</u> |
| Net Assets | |
| Invested in Capital Assets - net of related debt | 904,287 |
| Restricted | |
| Debt Service | 213,755 |
| Unrestricted | <u>976,441</u> |
| <i>Total Net Assets</i> | <u><u>\$ 2,094,483</u></u> |

The Notes to Financial Statements are an integral part of this statement

Glen Arbor Township
Government Wide
Statement of Activities
For the Year Ended March 31, 2005

Exhibit B

| <i>Functions/Programs</i> | <i>Expenses</i> | <i>Program Revenues</i> | | | <i>Net (Expense) Revenue and Changes in Net Assets</i> | |
|---|-------------------|---------------------------------|-------------------------------------|-------------------------------------|--|-------------------------------------|
| | | <i>Charges for Services</i> | <i>Operating</i> | <i>Capital</i> | <i>Primary Government</i> | |
| | | | <i>Grants and Contributions</i> | <i>Grants and Contributions</i> | <i>Governmental Activities</i> | <i>Business-Type Activities</i> |
| | | | | | | <i>Total</i> |
| <i>Primary Government</i> | | | | | | |
| General Government | \$ 217,679 | \$ 27,685 | \$ - | \$ - | \$ (189,994) | \$ (189,994) |
| Public Safety | 585,526 | 189,854 | - | - | (395,672) | (395,672) |
| Public Works | 16,170 | - | 4,047 | - | (12,123) | (12,123) |
| Health and Welfare | - | - | - | - | - | - |
| Community and Economic Dev. | 34,410 | 4,110 | 21,375 | - | (8,925) | (8,925) |
| Recreation and Culture | 18,818 | 3,483 | - | - | (15,335) | (15,335) |
| Other Functions | 7,105 | - | - | - | (7,105) | (7,105) |
| Interest on Long-Term Debt | 75,433 | - | - | - | (75,433) | (75,433) |
| <i>Total Governmental Activities</i> | <u>955,141</u> | <u>225,132</u> | <u>25,422</u> | <u>-</u> | <u>(704,587)</u> | <u>(704,587)</u> |
| <i>Total Primary Government</i> | <u>\$ 955,141</u> | <u>\$ 225,132</u> | <u>\$ 25,422</u> | <u>\$ -</u> | <u>(704,587)</u> | <u>-</u> |
| <i>General Revenues</i> | | | | | | |
| | | | | | | |
| Property Taxes | | | | | 723,828 | - |
| State Shared Revenues | | | | | 52,128 | - |
| Interest | | | | | 9,048 | - |
| Contributions | | | | | 4,716 | - |
| Refunds | | | | | 467 | - |
| Miscellaneous | | | | | 4,219 | - |
| Disposal/Sale of Assets | | | | | (16,997) | - |
| Net Transfers In/(Out) | | | | | - | - |
| <i>Total General Revenues and Transfers</i> | | | | | <u>777,409</u> | <u>-</u> |
| <i>Change in Net Assets</i> | | | | | <u>72,822</u> | <u>-</u> |
| Net Assets - Beginning | | | | | <u>2,021,661</u> | <u>-</u> |
| Net Assets - Ending | | | | | <u>\$ 2,094,483</u> | <u>\$ -</u> |

The Notes to Financial Statements are an integral part of this statement

Glen Arbor Township

Exhibit C

Governmental Funds

Balance Sheet

March 31, 2005

| | <i>General</i> | <i>Emergency Services Fund</i> | <i>Emergency Services Debt Service Fund</i> | <i>Total</i> |
|----------------------------|-------------------|--|---|------------------|
| Assets | | | | |
| Cash - Unrestricted | \$ 448,675 | \$ 526,817 | \$ 140,910 | \$ 1,116,402 |
| Taxes & Fees Receivable | 9,004 | 18,690 | 4,906 | 32,600 |
| Due from State | - | - | - | - |
| Due from Other Funds | 1,088 | - | - | 1,088 |
| Due from Others | - | - | 72,845 | 72,845 |
| <i>Total Assets</i> | <u>458,767</u> | <u>545,507</u> | <u>218,661</u> | <u>1,222,935</u> |
| Liabilities | | | | |
| Accrued Liabilities | 54 | 86 | - | 140 |
| Deferred Revenue | 9,004 | 18,690 | 4,906 | 32,600 |
| <i>Total Liabilities</i> | <u>9,058</u> | <u>18,776</u> | <u>4,906</u> | <u>32,740</u> |
| Fund Balances | | | | |
| Fund Balances - Unreserved | <u>449,710</u> | <u>526,731</u> | <u>213,755</u> | <u>1,190,196</u> |
| <i>Total Fund Balances</i> | <u>\$ 449,710</u> | <u>\$ 526,731</u> | <u>\$ 213,755</u> | <u>1,190,196</u> |

The Notes to Financial Statements are an integral part of this statement

Glen Arbor Township
*Reconciliation of the Balance Sheet
to the Statement of Net Assets
March 31, 2005*

Exhibit D

| | |
|---|--------------|
| Fund Balance - Total Governmental Funds (Exhibit C) | \$ 1,190,196 |
|---|--------------|

*Amounts reported for governmental activities in the statement of net assets
are different because:*

| | |
|--|-----------|
| Governmental Capital Assets of \$3,761,098 net of accumulated depreciation of (\$1,053,203) are not financial resources and not reported in the funds. | 2,707,895 |
|--|-----------|

Some Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported in the fund.

| | |
|---|-----------------|
| Bonds Payable - Public Service Building | (1,730,000) |
| Notes Payable - Fire Equipment | <u>(73,608)</u> |

| | |
|---------------------------------------|----------------------------|
| Net Assets of Governmental Activities | <u><u>\$ 2,094,483</u></u> |
|---------------------------------------|----------------------------|

Glen Arbor Township
Governmental Fund
Statement of Revenue, Expenditures
and Changes on Fund Balance
For the Year Ended March 31, 2005

Exhibit E

| | <i>General Fund</i> | <i>Emergency Services Fund</i> | <i>Emergency Services Debt Service Fund</i> | <i>Total Governmental Funds</i> |
|--|--------------------------|--|---|---|
| <i>Revenues</i> | | | | |
| Property Taxes | \$ 215,764 | \$ 399,758 | \$ 108,306 | \$ 723,828 |
| Licenses & Permits | 3,460 | - | - | 3,460 |
| State Grants | 77,550 | - | - | 77,550 |
| Charges for Services | 4,200 | 189,854 | - | 194,054 |
| Interest Earned | 4,656 | 3,168 | 1,224 | 9,048 |
| Rentals | 27,618 | - | - | 27,618 |
| Contributions | 1,060 | 1,656 | - | 2,716 |
| Refunds | - | 467 | - | 467 |
| Miscellaneous Income | 3,624 | 595 | - | 4,219 |
| <i>Total Revenues</i> | <u>337,932</u> | <u>595,498</u> | <u>109,530</u> | <u>1,042,960</u> |
| <i>Expenditures</i> | | | | |
| General Government | 206,597 | - | - | 206,597 |
| Public Safety | - | 497,716 | 23,414 | 521,130 |
| Public Works | 24,093 | - | - | 24,093 |
| Community and Economic Dev. | 35,334 | - | - | 35,334 |
| Recreation and Culture | 11,696 | - | - | 11,696 |
| Other Functions | 7,105 | - | - | 7,105 |
| Debt Service | - | 51,224 | 103,670 | 154,894 |
| <i>Total Expenditures</i> | <u>284,825</u> | <u>548,940</u> | <u>127,084</u> | <u>960,849</u> |
| <i>Excess Revenues Over (Under) Expenditures</i> | <u>53,107</u> | <u>46,558</u> | <u>(17,554)</u> | <u>82,111</u> |
| <i>Other Financing Sources (Uses)</i> | | | | |
| Operating Transfers In | - | - | - | - |
| Operating Transfers (Out) | - | - | - | - |
| <i>Total Other Financing Sources (Uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</i> | <u>53,107</u> | <u>46,558</u> | <u>(17,554)</u> | <u>82,111</u> |
| Fund Balance - Beginning | <u>396,603</u> | <u>480,173</u> | <u>231,309</u> | <u>1,108,085</u> |
| Fund Balance - Ending | <u><u>\$ 449,710</u></u> | <u><u>\$ 526,731</u></u> | <u><u>\$ 213,755</u></u> | <u><u>\$ 1,190,196</u></u> |

The Notes to Financial Statements are an integral part of this statement

Glen Arbor Township
*Reconciliation of the Statement of Revenue, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended March 31, 2005*

Exhibit F

| | |
|---|-----------|
| Change in Fund Balance - Total Governmental Funds (Exhibit E) | \$ 82,111 |
|---|-----------|

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

| | |
|---|----------|
| Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$84,567) is exceeded by depreciation (\$158,320) in the current period. | (73,753) |
|---|----------|

| | |
|------------------------|-------|
| Donation of School Bus | 2,000 |
|------------------------|-------|

| | |
|---|----------|
| Demolition of old Fire Hall with a cost basis of \$80,011 net of accumulated depreciation of \$63,220 | (16,791) |
|---|----------|

| | |
|---|-------|
| Return of asset purchased in prior year - refund received | (206) |
|---|-------|

| | |
|---|--------|
| Payment of Long-Term Debt - Debt Service Fund | 30,000 |
|---|--------|

| | |
|--|--------|
| Payment of Long-Term Debt - Emergency Service Fund | 49,461 |
|--|--------|

| | |
|---|------------------|
| Change in net assets of governmental activities (Exhibit B) | <u>\$ 72,822</u> |
|---|------------------|

Glen Arbor Township

Exhibit G

Fiduciary Fund Statement of Net Assets March 31, 2005

| | <i>Tax Collection</i> |
|--------------------------|---------------------------|
| Assets | |
| Cash | \$ 1,087 |
| Due From Other Funds | - |
| | |
| <i>Total Assets</i> | <u>\$ 1,087</u> |
| Liabilities | |
| Due to General Fund | \$ 1,087 |
| Due to State | |
| Due to Others | - |
| | |
| <i>Total Liabilities</i> | <u>\$ 1,087</u> |

The Notes to Financial Statements are an integral part of this statement

Glen Arbor Township
Notes to Financial Statements
March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Glen Arbor Township have been prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Effective April 1, 2004, the Township adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in these statements include the following:

- Depreciation on capital assets of the Township.
- Financial statements using the accrual basis of accounting for all the Township's activities as adjusted for capital assets and depreciation.
- A change in fund financial statements to focus on major funds.

A. Reporting Entity

Glen Arbor Township is a common law township as defined by the laws of the State of Michigan. An elected Supervisor and Township Board govern the Township. The current state taxable value is \$258,336,143 and the 2000 census reported a population of 788.

The criteria established by Statement 14 of the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements are based primarily on the concept of financial accountability. On this basis, accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Township.

B. Government –Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Glen Arbor Township
Notes to Financial Statements
March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township collects property taxes between December 1 and February 28. Any uncollected real property taxes that become delinquent March 1 are purchased (paid) by Leelanau County after the Township's year-end. Delinquent property taxes and administration fees receivable are not normally received within 60 days of the Township's fiscal year end, and are therefore reflected as deferred revenue on the combined balance sheet.

The local unit reports the following major governmental funds:

General Fund - This Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, and other intergovernmental revenues.

Emergency Services Fund – This Fund accounts for the fire and emergency medical services provided by the township. Revenues are derived primarily from property taxes and charges for services

Additionally, the government reports the following fund types:

Debt Service Fund - This Fund is used to account for property taxes levied to finance the long-term debt for the Public Safety Building. The Township is also accounting for the construction activities of the Public Safety Building in this fund.

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The Tax Collection Fund belongs to this Fund Group.

Glen Arbor Township
Notes to Financial Statements
March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Assets – capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Generally, capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Township officials reviewed its fixed asset inventory for the current year and eliminated items no longer in service or scrapped in prior years. Consequently, beginning balances may differ from prior years.

Depreciation has been provided on these fixed assets using the straight line method over their estimated useful lives.

- | | |
|----------------------------------|------------|
| • Furniture and Office Equipment | 5-7 years |
| • Fire & EMS Equipment | 5-10 years |
| • Park Equipment and Structures | 15 years |
| • Land Improvements | 15 years |
| • Buildings and Improvements | 30 years |
| • Fire Vehicles | 7–20 years |
| • Roads and Paving | 20 years |

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Glen Arbor Township
Notes to Financial Statements
March 31, 2005

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

General Fund and Emergency Services Fund are under formal budgetary control. Budgets are not required for Capital Project Funds. Accordingly, no budgetary information is included with these financial statements. The financial statements for these funds were prepared on a basis not significantly different from the modified cash basis used to reflect actual results and consist only of those amounts contained in the budget amounts provided by the Clerk.

In the body of the combined financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a function basis. The approved budgets of the Township for these budgetary funds were adopted at the activity level.

Encumbrance accounting is not used and appropriations normally lapse at year-end.

B. Budget Compliance

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated.

During the year ended March 31, 2005, the Township had expenditures in excess of amounts appropriated as follows:

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|---------------|---------------|-----------------|
| General Fund: Elections | \$ 4,600 | \$ 5,700 | \$ (1,100) |
| General Fund: Buildings & Grounds | 43,140 | 45,973 | (2,833) |
| General Fund: Boat Ramp | 4,000 | 4,467 | (467) |
| General Fund: Library | 360 | 757 | (397) |
| Emergency Services Fund: Public Safety Bldg. | - | 30,766 | (30,766) |
| Emergency Services Fund: EMS | 337,706 | 369,605 | (31,899) |

The Bond Resolution requires establishment of a separate Construction Fund and Debt Service Fund. The Township elected to establish one Debt Retirement Fund and report both capital project and debt retirement activities in one fund.

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal or Contractual Provisions for Deposits and Investments

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by act No. 217, Public Acts of 1982 and Public Act 196 of 1997, states the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- A. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- B. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with Subsection (2).

Glen Arbor Township
Notes to Financial Statements
 March 31, 2005

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS – continued

- C. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase.
- D. In United States government or Federal agency obligation repurchase agreements.
- E. In banker's acceptances of United States banks.
- F. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits and Investments

The Township maintains its surplus funds with local banks in the form of savings/checking accounts. Also, it has funds invested with Huntington Bank in an Automated Funds Investment Account (AFI). The accounts have holdings in repurchase agreements; U.S. Government guaranteed securities, and U.S. Treasury securities. Due to the liquidity of these accounts, the Township considers them to be cash equivalents. The Township's deposits are categorized to give an indication of the level of risk assumed by the Township at March 31, 2005.

- Category 1 Insured or collateralized with securities held by the entity or its agent in the entity's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in entity's name.
- Category 3 Un-collateralized

| | <u>Balance</u> | <u>Category</u> | | |
|---------------|---------------------|-------------------|-------------------|-------------------|
| | | <u>1</u> | <u>2</u> | <u>3</u> |
| Cash Deposits | \$ 633,852 | \$ 401,087 | \$ - | \$ 232,765 |
| Cash Equiv. | <u>483,637</u> | <u>-</u> | <u>483,637</u> | <u>-</u> |
| Total | <u>\$ 1,117,489</u> | <u>\$ 401,087</u> | <u>\$ 483,637</u> | <u>\$ 232,765</u> |

At year-end, the Local Unit's cash deposits and cash equivalents were reported in the basic financial statements in the following categories:

| | <u>Amount</u> |
|-------------------------|---------------------|
| Governmental Activities | \$ 1,116,402 |
| Fiduciary Funds | <u>1,087</u> |
| Total Deposits | <u>\$ 1,117,489</u> |

Glen Arbor Township
Notes to Financial Statements
 March 31, 2005

NOTE 4 - CHANGES IN GENERAL FIXED ASSETS

Capital asset activity or the primary government for the current year is summarized as follows:

Governmental Activities

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|--------------------|--------------------|---------------------------|
| <i>Capital Assets Not Being Depreciated</i> | | | | |
| Land | \$ 453,958 | \$ - | \$ - | \$ 453,958 |
| <i>Capital Assets Being Depreciated</i> | | | | |
| Furniture and Office Equip. | 112,985 | 4,194 | - | \$ 117,179 |
| Fire & EMS Equipment | 553,889 | 35,455 | (3,570) | 585,774 |
| Park Equip. and Structures | 43,730 | 924 | - | 44,654 |
| Land Improvements | 278,366 | - | - | 278,366 |
| Buildings and Imp. | 1,725,962 | 28,995 | (80,011) | 1,674,946 |
| Fire Vehicles | 623,328 | 2,000 | (34,107) | 591,221 |
| Roads and Paving | <u>-</u> | <u>15,000</u> | <u>-</u> | <u>15,000</u> |
| | <u>3,338,260</u> | <u>86,568</u> | <u>(117,688)</u> | <u>3,307,140</u> |
| <i>Accumulated Depreciation</i> | | | | |
| Furniture and Office Equip. | (82,409) | (11,142) | - | (93,551) |
| Fire & EMS Equipment | (282,599) | (45,194) | 3,363 | (324,430) |
| Park Equip. and Structures | (18,958) | (2,793) | - | (21,751) |
| Land Improvements | (139,429) | (12,621) | - | (152,050) |
| Buildings and Imp. | (199,333) | (53,787) | 63,220 | (189,900) |
| Fire Vehicles | (272,845) | (32,408) | 34,107 | (271,146) |
| Roads and Paving | <u>-</u> | <u>(375)</u> | <u>-</u> | <u>(375)</u> |
| | <u>(995,573)</u> | <u>(158,320)</u> | <u>100,690</u> | <u>(1,053,203)</u> |
| <i>Net Capital Assets being Depreciated</i> | <u>2,342,687</u> | <u>(71,752)</u> | <u>(16,998)</u> | <u>2,253,937</u> |
| <i>Total Capital Assets of Governmental Activities – Net of Depreciation</i> | <u>\$2,796,645</u> | <u>\$ (71,752)</u> | <u>\$ (16,998)</u> | <u>\$2,707,895</u> |

Glen Arbor Township
Notes to Financial Statements
March 31, 2005

NOTE 4 - CHANGES IN GENERAL FIXED ASSETS - continued

Depreciation expense in the current year was charged to programs of the primary government as follows:

Governmental Activities

| | |
|-------------------------------|-------------------|
| General Government | \$ 21,113 |
| Public Safety | 123,008 |
| Public Works | 7,077 |
| Recreation and Culture | <u>7,122</u> |
| Total Governmental Activities | <u>\$ 158,320</u> |

NOTE 5 - LONG-TERM DEBT

The following is a summary of debt transactions including revisions to beginning balances for the Capital lease Obligations, for the Township for the year ended March 31, 2004:

| | Notes Payable | | | Bonds | Total |
|--------------------|------------------|-----------------|------------------|--------------------|--------------------|
| | Fire Truck | Air Packs | 2 Tahoes | Payable | |
| Beginning Balance | \$ 82,982 | \$ 10,448 | \$ 29,640 | \$1,760,000 | \$1,883,070 |
| New Borrowing | - | - | - | - | - |
| Principle Payments | <u>27,889</u> | <u>4,950</u> | <u>16,623</u> | <u>30,000</u> | <u>79,462</u> |
| Ending Balance | <u>\$ 55,093</u> | <u>\$ 5,498</u> | <u>\$ 13,017</u> | <u>\$1,730,000</u> | <u>\$1,803,608</u> |

A. Notes Payable

In September 1997, the Township entered into a capital lease with Emergency One, Inc. for a fire truck. On December 23, 2003, the capital lease was refinanced with a note payable to State Savings Bank Empire. The note requires 3 annual payments of \$28,678 including interest beginning April 1, 2004 with a fixed interest rate of 2.85%.

In April 2001, the Township entered into a capital lease with Kansas State Bank of Manhattan for the purchase of 10 self-contained breathing apparatuses (Air Packs). On May 29, 2003, the capital lease was refinanced with a note payable to Huntington National Bank. The note requires 36 monthly payments of \$435 including interest beginning July 5, 2003 at an interest rate of 3.25%

The Township entered into an installment loan to purchase 2 rescue and fire vehicles. The loan was refinanced in April of 2003 and requires quarterly installments of \$4,332 including interest of 2.95% per annum. The loan now matures in November 2005.

Glen Arbor Township
Notes to Financial Statements
 March 31, 2005

NOTE 5 - LONG-TERM DEBT - continued

Future payments under the installment loan for fiscal year ending March 31:

| <u>Year</u> | <u>Fire Truck</u> | <u>Air Packs</u> | <u>2 Tahoes</u> | <u>Total</u> |
|----------------|-------------------|------------------|------------------|------------------|
| 2006 | \$ 28,678 | \$ 5,221 | \$ 13,017 | \$ 46,916 |
| 2007 | <u>28,678</u> | <u>1,740</u> | <u>-</u> | <u>30,418</u> |
| Total Payments | 57,356 | 6,961 | 13,017 | \$ 77,334 |
| Less: Interest | <u>2,263</u> | <u>1,463</u> | <u>-</u> | <u>3,726</u> |
| | <u>\$ 55,093</u> | <u>\$ 5,498</u> | <u>\$ 13,017</u> | <u>\$ 73,608</u> |

B. Bonds Payable

On October 1, 2002, the Township issued bonds in the principal amount of \$1,760,000 for the purpose of defraying costs of the construction of a Public Safety Building. The bonds are secured by and payable through an annual property tax levy sufficient to pay the interest and principal as they fall due. The principal retirements are due November 1 with interest payable November 1 and May 1 each year. Listed below is a schedule of annual principal requirements and interest rates for years ending March 31:

| | <u>Annual Principal Requirements</u> | <u>Interest Rate</u> |
|-----------|--|----------------------|
| 2006 | \$ 30,000 per year | 5% |
| 2007 | 40,000 per year | 5% |
| 2008-2009 | 45,000 per year | 5% |
| 2010-2011 | 50,000 per year | 5% |
| 2012 | 55,000 per year | 5% |
| 2013-2014 | 60,000 per year | 5% |
| 2015 | 65,000 per year | 5% |
| 2016-2017 | 70,000 per year | 5% |
| 2018 | 75,000 per year | 5% |
| 2019 | 80,000 per year | 5% |
| 2020 | 85,000 per year | 5% |
| 2021 | 90,000 per year | 5% |
| 2022-2023 | 95,000 per year | 5% |
| 2024 | 100,000 per year | 5% |
| 2025 | 110,000 per year | 5% |
| 2026 | 115,000 per year | 5% |
| 2027 | 120,000 per year | 5% |
| 2028 | 125,000 per year | 5% |

Glen Arbor Township
Notes to Financial Statements
March 31, 2005

NOTE 5 - LONG-TERM DEBT - continued

Debt Service requirements for Bonds Payable in fiscal years ending March 31:

| | Payments | Principal | Interest |
|-----------|---------------------|---------------------|---------------------|
| 2006 | 115,750 | 30,000 | 85,750 |
| 2007 | 124,000 | 40,000 | 84,000 |
| 2008 | 126,875 | 45,000 | 81,875 |
| 2009 | 124,625 | 45,000 | 79,625 |
| 2010 | 127,250 | 50,000 | 77,250 |
| 2011-2015 | 635,500 | 290,000 | 345,500 |
| 2016-2020 | 642,000 | 380,000 | 262,000 |
| 2021-2025 | 643,500 | 490,000 | 153,500 |
| 2026-2028 | <u>387,500</u> | <u>360,000</u> | <u>27,500</u> |
| | <u>\$ 2,927,000</u> | <u>\$ 1,730,000</u> | <u>\$ 1,197,000</u> |

NOTE 6 – LEASE AGREEMENT

The Township leases ground space to an outside party for the location of a telecommunications tower. All costs associated with tower are the responsibility of the outside party. The Township currently receives \$703 per month base rent and 50% of gross sublease rent received by the lessee. Base rent increases annually by the greater of 5% or a consumer price index adjustment. Lease revenues for the year ended March 31, 2005 were \$19,443. The initial term of the lease is for ten years and began in November 1997.

NOTE 7 – RISK MANAGEMENT

The Township pays an annual premium to Municipal Underwriters of Michigan for its general insurance coverage through the Michigan Township Participating Plan. The Township carries coverage for property damage, liability, wrongful acts, automobile, crime, and inland marine claims. Also, it carries worker's compensation insurance with The Accident Fund. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 – SUBSEQUENT EVENTS

The Township is in the process of purchasing a new fire truck with an approximate cost of \$230,000. The Township entered in to an installment purchase agreement for the purchase of the truck.

REQUIRED SUPPLEMENTAL INFORMATION

Glen Arbor Township
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005

Schedule 1

| | <i>Original Budget</i> | <i>Amended Budget</i> | <i>Actual</i> | <i>Favorable (Unfavorable)</i> |
|---|----------------------------|---------------------------|----------------|------------------------------------|
| Beginning Fund Balance | \$ 396,603 | \$ 396,603 | \$ 396,603 | \$ - |
| <i>Resources (Inflows)</i> | | | | |
| Property Taxes | 148,300 | 148,300 | 134,876 | (13,424) |
| Interest/Penalties on Taxes | 100 | 100 | 211 | 111 |
| Property Tax Admin. Fee | 63,000 | 63,000 | 80,677 | 17,677 |
| Land Division Fees | 800 | 800 | 1,600 | 800 |
| Land Use Permits | 1,300 | 1,300 | 1,860 | 560 |
| State Shared Revenue | 48,600 | 48,600 | 52,128 | 3,528 |
| State ROW | 3,000 | 3,000 | 4,047 | 1,047 |
| DEQ Coastal/Master Plan Grant | 28,500 | 28,500 | 21,375 | (7,125) |
| Zoning Fees | 1,000 | 1,000 | 650 | (350) |
| Boat Ramp Fees | 3,500 | 3,500 | 3,483 | (17) |
| Photocopies | 50 | 50 | 67 | 17 |
| Zoning Ordinances | 30 | 30 | - | (30) |
| Hall Usage | 5,000 | 5,000 | 6,120 | 1,120 |
| Park Usage | 4,250 | 4,250 | 2,065 | (2,185) |
| Refunds & Reimbursements | - | - | - | - |
| Interest Earned | 4,000 | 4,000 | 4,656 | 656 |
| Cable TV Fee | 1,500 | 1,500 | 3,554 | 2,054 |
| Tower Rent | 15,000 | 15,000 | 19,433 | 4,433 |
| Contributions | - | - | 1,060 | 1,060 |
| Miscellaneous Income | - | - | 70 | 70 |
| Transfers from Other Funds | - | - | - | - |
| <i>Total Available for Appropriation</i> | <i>724,533</i> | <i>724,533</i> | <i>734,535</i> | <i>10,002</i> |
| <i>Charges to Appropriations (Outflows)</i> | | | | |
| <i>General Government</i> | | | | |
| Township Board | 46,552 | 45,552 | 43,183 | 2,369 |
| Supervisor | 12,524 | 12,524 | 12,319 | 205 |
| Clerk | 30,170 | 30,170 | 27,159 | 3,011 |
| Board of Review | 1,100 | 1,100 | 573 | 527 |
| Treasurer | 33,988 | 33,988 | 28,768 | 5,220 |
| Assessor | 38,800 | 43,849 | 41,922 | 1,927 |
| Elections | 4,600 | 4,600 | 5,700 | (1,100) |
| Buildings & Grounds | 42,140 | 43,140 | 45,973 | (2,833) |
| Cemetery | 1,000 | 1,000 | 1,000 | - |
| <i>Public Works</i> | | | | |
| Streets & Sidewalks | 18,900 | 18,900 | 18,876 | 24 |
| Boat Ramp | 4,000 | 4,000 | 4,467 | (467) |
| Airport | 750 | 750 | 750 | - |

Notes to Financial Statements are an integral part of this statement

Glen Arbor Township
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005

Schedule 1

| | <i>Original Budget</i> | <i>Amended Budget</i> | <i>Actual</i> | <i>Favorable (Unfavorable)</i> |
|--|----------------------------|---------------------------|-------------------|------------------------------------|
| Community & Economic Development | | | | |
| Zoning & Planning | 56,065 | 56,065 | 35,334 | 20,731 |
| Recreation & Culture | | | | |
| Parks & Recreation | 12,625 | 12,625 | 10,939 | 1,686 |
| Library | 360 | 360 | 757 | (397) |
| Other Expenditures | | | | |
| Contingencies | 5,750 | 5,750 | - | 5,750 |
| Payroll Taxes | 8,800 | 8,800 | 7,105 | 1,695 |
| Transfers to Other Funds | - | - | - | - |
| <i>Total Charges to Appropriations</i> | <u>318,124</u> | <u>323,173</u> | <u>284,825</u> | <u>38,348</u> |
| Budgetary Fund Balance | <u>\$ 406,409</u> | <u>\$ 401,360</u> | <u>\$ 449,710</u> | <u>\$ 48,350</u> |

Notes to Financial Statements are an integral part of this statement

Glen Arbor Township
Budgetary Comparison Schedule
Emergency Services Fund
For the Year Ended March 31, 2005

Schedule 2

| | <i>Original Budget</i> | <i>Amended Budget</i> | <i>Actual</i> | <i>Favorable (Unfavorable)</i> |
|---|----------------------------|---------------------------|---------------|------------------------------------|
| Beginning Fund Balance | \$ 480,173 | \$ 480,173 | \$ 480,173 | \$ - |
| <i>Resources (Inflows)</i> | | | | |
| Property Taxes | 271,591 | 271,591 | 399,758 | 128,167 |
| EMS Contracts | 120,392 | 120,392 | 168,534 | 48,142 |
| EMS/Ambulance Fees | 18,000 | 18,000 | 21,320 | 3,320 |
| Interest | 1,500 | 1,500 | 3,168 | 1,668 |
| Contributions | - | - | 1,656 | 1,656 |
| Refunds | - | - | 467 | 467 |
| Miscellaneous Income | - | - | 595 | 595 |
| Transfers from Other Funds | - | - | - | - |
| <i>Total Available for Appropriation</i> | 891,656 | 891,656 | 1,075,671 | 184,015 |
| <i>Charges to Appropriations (Outflows)</i> | | | | |
| Fire | | | | |
| Fire Chief Wages | | | 17,500 | |
| Assistant Chief Wages | | | 2,500 | |
| Fire Pay | | | 9,553 | |
| Physicals | | | 5,895 | |
| Clothing/Uniforms | | | 1,400 | |
| Education & Training | | | 4,866 | |
| Supplies | | | 3,209 | |
| Insurance | | | 16,520 | |
| Due, Fees & Subscriptions | | | 3,525 | |
| Inspection & Certification | | | 4,485 | |
| Vehicle Fuel & Oil | | | 2,333 | |
| Cell Phones | | | 3,853 | |
| Vehicle Maintenance | | | 9,305 | |
| Fire Emergency Occurrences | | | 1,860 | |
| Bank Fees | | | 68 | |
| Finance Charges | | | 136 | |
| Legal | | | 2,128 | |
| Miscellaneous | | | 365 | |
| Capital Outlay | | | 16,507 | |
| 1997-Truck Debt Principal | | | 27,889 | |
| 1997-Truck Debt Interest | | | 788 | |
| Fire Truck Debt - Principal | | | 8,311 | |
| Fire Truck Debt - Interest | | | 352 | |
| Air Pack Debt - Principal | | | 4,950 | |
| Air Pack Debt - Interest | | | 271 | |
| | 156,316 | 156,316 | 148,569 | 7,747 |

The Notes to Financial Statements are an integral part of this statement

Glen Arbor Township
Budgetary Comparison Schedule
Emergency Services Fund
For the Year Ended March 31, 2005

Schedule 2

| | <i>Original Budget</i> | <i>Amended Budget</i> | <i>Actual</i> | <i>Favorable (Unfavorable)</i> |
|--|----------------------------|---------------------------|-------------------|------------------------------------|
| Public Safety Building | | | | |
| Office Expense | | | 2,857 | |
| Telephone | | | 2,618 | |
| Internet Access | | | 507 | |
| Utilities | | | 14,932 | |
| Maintenance | | | 9,852 | |
| | <u>-</u> | <u>-</u> | <u>30,766</u> | <u>(30,766)</u> |
| EMS | | | | |
| Director Wages | | | 637 | |
| Attendant Wages | | | 25,945 | |
| On Call Wages | | | 9,196 | |
| Medicare Taxes | | | 947 | |
| Social Security Taxes | | | 4,050 | |
| Physicals | | | 1,582 | |
| Clothing & Uniforms | | | 3,201 | |
| Training & Education | | | 4,971 | |
| Supplies | | | 12,403 | |
| Insurance | | | 5,557 | |
| Due, Fees & Subscriptions | | | 240 | |
| Inspection & Certification | | | 235 | |
| Vehicle Fuel & Oil | | | 1,292 | |
| Cell Phones | | | 860 | |
| Vehicle Maintenance | | | 2,318 | |
| North Flight - EMT | | | 261,932 | |
| North Flight - Administration Fee | | | 2,333 | |
| North Flight - Billing Fee | | | 3,528 | |
| Collection Fees | | | 728 | |
| Miscellaneous | | | - | |
| Repairs | | | 39 | |
| Capital Outlay | | | 18,948 | |
| Ambulance Debt - Principal | | | 8,311 | |
| Ambulance Debt - Interest | | | 352 | |
| | <u>337,706</u> | <u>337,706</u> | <u>369,605</u> | <u>(31,899)</u> |
| Transfers to Other Funds | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Total Charges to Appropriations</i> | <u>494,022</u> | <u>494,022</u> | <u>548,940</u> | <u>(54,918)</u> |
| Budgetary Fund Balance | <u>\$ 397,634</u> | <u>\$ 397,634</u> | <u>\$ 526,731</u> | <u>\$ 129,097</u> |

The Notes to Financial Statements are an integral part of this statement

OTHER INFORMATION (UNAUDITED)

Glen Arbor Township

Comments and Recommendations

We have examined the financial statements of Glen Arbor Township as of and for the year ended March 31, 2005 and issued our report dated August 18, 2005. As part of our examination, we studied and evaluated the Township's internal control structure. Because the study and evaluation were only part of the overall audit plan regarding the financial statements, it was not intended to be a complete review of all of your accounting procedures and, therefore, would not necessarily disclose all weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of the Township taken as a whole.

We noted certain matters involving the internal control structure and its operation that we consider being reportable conditions under standards established by the AICPA. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment could adversely affect the unit's ability to record, process, summarize, and report data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

We noted the following reportable conditions that we believe to be material weaknesses.

Tax Account

The tax account had forced adjustments totaling over \$737,000. Additionally, the amounts due to other funds and entities on the balance sheet had no relation to actual amounts due. A significant amount of time was required to analyze and correct the adjustments and amounts. It is imperative receipts and disbursements are properly recorded. We recommend cross referencing deposits with receipt reports provided by the tax software. Disbursements should also be cross referenced and reconciled with reports from the tax software.

The following are reportable conditions that are not believed to be material weaknesses.

Charges for Reimbursements

We noted numerous credits to expenditure accounts in the Emergency Services Fund related to expenditure reimbursements billed to Empire Township and others. Charges for reimbursements should be recorded as revenue, not as credits to expenditures. Most of the credits appeared to occur at the beginning of the year. We recommend continued diligence in regards to recording expenditure reimbursements as revenue.

Glen Arbor Township

Comments and Recommendations

Budget

The budget adopted by the Township Board for the Emergency Services Fund differed from the meeting minutes. Additionally, a new activity level was added to for the Public Safety Building and the budget was not amended for the new activity. The Uniform Budgeting and Accounting Act requires a general appropriations act be passed for all funds except trust or agency, internal service, enterprise, debt service or capital project funds (141.436, Sec. 16(1)). Please review the Uniform Budget Manual for proper budgeting procedures. This can be found in a pdf format at the Michigan Department of Treasury website, <http://www.michigan.gov/treasury>.

Financial Reports

It appears the Clerk does not tie out balance sheet accounts on a monthly basis. As a matter of course, all balance sheet accounts should be reviewed and analyzed on a monthly basis to ensure balances are reasonable and correct. Any unexpected balances or variances should be investigated and resolved.

Payroll

It appears federal 941 payroll reports are not being cross-referenced and tied out with the actual payroll reports. Additionally, it appears payroll liability payments are not being tied out and cross-referenced with payroll reports, federal 941 reports and state payroll reports. If payroll is recorded properly and liabilities disbursed properly, the liability account balances should be zero after the liability payments are made. Any residual amounts should be investigated and corrected on a minimum of a quarterly basis.

In a continuing effort to enhance internal control and improve the accounting system, financial reporting, and overall management, we offer the following comments and recommendations that we do not consider being reportable conditions.

Chart of Accounts

We recommend the Township modify its chart of accounts to conform to the Michigan Department of Treasury Uniform Chart of Accounts for Local Units of Government.

Tax Account

We recommend the tax account be zeroed out or leave a minimal amount in the account before the end of the fiscal year and before the start of the tax collection cycle each year. This is a repeat comment from prior years.

Glen Arbor Township

Comments and Recommendations

Capitalization Policy

We noted many monetarily small amounts posted to capital outlay accounts. The clerk indicated there is a capitalization policy however, it appears the policy is not followed consistently. Capital outlay accounts should only be used for expenditures for fixed asset additions or material improvements to fixed assets. Amounts under the capitalization threshold should be posted to other expenditures such as supplies or repairs and maintenance. This is a repeat comment from prior years.

Journal Entries

In prior years, numerous journal entries were made without proper support. The Clerk has established a journal entry book with support attached for each entry. She should be commended for her efforts in establishing this procedure.

Closing Comments

We will be happy to discuss any of these recommendations with you and assist you in their implementation. As a matter of course, we will forward the necessary copies of this audit report to the State Treasury Department. We further appreciate the courtesy extended our field auditors in the conduct of this audit engagement. Should any questions arise on these financial statements or our audit, please call upon us.